



THE Agricultural Situation

JULY 1955

Volume 39, Number 7

Looking Ahead At Next Year's Wheat Picture

ON THE BASIS of preliminary returns, farmers voted 77.5 percent in favor of marketing quotas for the 1956 wheat crop in a referendum held on June 25. This is above the two-thirds national majority required by law to put marketing quotas in effect. The final tabulation is not expected to show any significant change.

States west of the Mississippi, which include heavy producing areas of hard red winter, hard red spring, durum, and white wheats generally gave more than the required two-thirds majority. Also, in the "yes" column were Kentucky and Virginia, and States to the South. States having less than the required two-thirds vote included Missouri, Nebraska, Utah, and Illinois, and the important soft wheat States in the East. Any wheat producer in commercial areas who will have more than 15 acres of wheat for harvest as grain in 1956, was eligible to vote in the referendum.

With quotas approved in the referendum, the national average support price for the 1956 crop will be at not less than \$1.81 per bushel. The full support level will be available in com-

mercial wheat States for those who comply with their individual farm acreage allotments. Support rates in the 12 noncommercial wheat States are set by law at levels representing 75 percent of the rates for commercial areas. The minimum support announced will not be lowered, but it will be raised if a combination of changes in parity value and the supply situation calls for an increase on July 1, 1956.

The United States 1955 wheat crop was estimated as of June 1 at 845 million bushels, 13 percent below the

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Published Monthly by the Agricultural Marketing Service
U. S. Department of Agriculture, Washington, D. C.

1954 crop of 970 million bushels. This will be revised in the next crop report, which will be available from the Agricultural Marketing Service July 11.

The decline in production from last year reflects a reduction in acreage resulting from acreage allotments and marketing quotas and from abandonment of winter wheat acreage.

The total crop this year is expected to be less than prospective domestic use plus exports during the next 12 months. As a result, the carryover on July 1, 1956, is expected to be reduced from the record stocks in prospect for July 1 this year. The official estimate of the stocks of old crop wheat will be released July 23.

Robert E. Post
Agricultural Economics Division, AMS

New Labor-Saver For Apple Growers

THE LATEST labor-saving machine to come out of the work of researchers of the Washington Apple Commission under the contract with the U. S. Department of Agriculture is an automatic box filler.

Agricultural Marketing Service specialists say the new box filler will uniformly fill 3 to 4 boxes of apples a minute, provide more gentle handling of the apples, and cut the cost from 4 to 5 cents a box for manually filling to a small fraction of a cent a box. The design is simple, the test results favorable. The developers claim it will not only reduce some of the direct costs of packing apples, but may lead indirectly to other efficiencies in marketing.

THE AGRICULTURAL SITUATION is a monthly publication of the Agricultural Marketing Service, U. S. Department of Agriculture, Washington, D. C. The printing of this publication has been approved by the Director of the Bureau of the Budget (January 20, 1955). Single copy 5 cents, subscription price 50 cents a year, foreign 70 cents, payable in cash or money order to the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.



The Agricultural Situation is sent free to crop, livestock, and price reporters in connection with their reporting work.

Potatoes, Ice Cream Accented This Month

THE SPOTLIGHT is on potatoes and ice cream this month in USDA's program to increase consumption of abundant commodities.

Potatoes and ice cream appear as "feature" foods on the Department's July Plentiful Foods List—a list prepared monthly as a marketing aid for farm products in heavy supply.

With milk supplies at their current high level, sales of ice cream help enlarge the total market for milk and butterfat. The featuring of ice cream this month on the Department list is timed to coincide with the dairy industry's July "Ice Cream Festival" merchandising promotion.

JULY PLENTIFUL FOODS

Features: Ice Cream . . . Potatoes



Other Plentifuls: Watermelons . . . Broilers and Fryers . . . Fresh and Processed Lemons and Limes . . . Small Prunes . . . Summer Vegetables . . . Beef . . . Milk and Other Dairy Products . . . Vegetable Fats and Oils . . . Rice . . . Fresh and Frozen Halibut . . . and Lard.

Heavy July supplies this month landed potatoes in a featured spot on the Plentiful Foods List. The large supplies result from overlapping shipments of California late spring potatoes (delayed because of cold weather) and shipments from States on the Middle Atlantic Seaboard and the summer potato-producing States.

USDA urges special merchandising efforts by the food trades to sell more of these foods and, at the same time, encourages consumers to buy and use more of them. Besides emphasizing the featured foods, AMS marketing specialists are enlisting food trades' help in merchandising a number of other farm commodities on the plentiful list, while Department informational facilities are used to call consumers' attention to the foods.

How the Seasons Affect Livestock

• • • Production and Prices

IN RAISING CROPS, there is a season for planting and a season for harvest. In livestock too, there is a natural linkage of production and marketing with the seasons.

Basically, spring is the season for births. Summer is the time for cattle and sheep to graze on lush pastures. Fall is the marketing season.

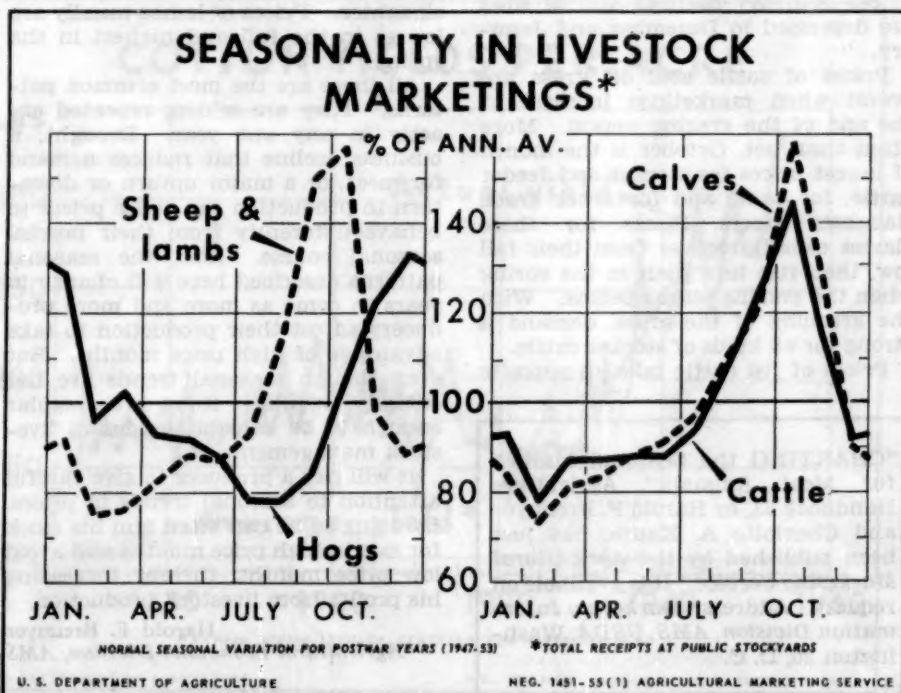
A century or two ago this pattern was closely followed. Though natural, its shortcoming was that slaughtering had to be concentrated in the few months after the end of grazing. This provided a great abundance of meat for a short time during the fall and early winter. Winter's natural refrigeration strung out the supply for a while, but by spring good meat was scarce. Animals slaughtered then were thin, having been given insufficient feed during the winter. Meat carried over from earlier slaughter was pickled or cured and of inferior quality.

The seasonal pattern is now different. Ingeniously, livestock producers have counteracted the natural ties to seasons. They breed their stock so as to space births more evenly around the calendar. They reap and store bountiful harvests of hay and grain, which—by providing a year-long supply of feed—allow year-round feeding of livestock. The result is a smoother flow of livestock to slaughter, and of meat to consumers, than in earlier days.

Seasonal Patterns Affect Prices

Nevertheless, there is still much seasonal fluctuation in production and marketing of livestock and in their prices. Seasonal trends remain for each of the species. They are roughly similar for each kind of grazing livestock, but much different for hogs.

More pigs are born in early spring



and late summer than at any other time. In 1954, 34 percent of all farrowings were in March and April, and 21 percent in August and September. Previously, even higher percentages were in those 4 months, but more summer and winter farrowings have evened out farrowings somewhat the last few years.

Marketings of hogs are likewise bunched. November, December, and January are the months of biggest movement to market. A secondary peak occurs in early spring, when largest runs of fall-born hogs arrive at markets.

Prices of hogs are highest in mid-summer, when supplies are smallest. In an average year, prices of medium weight barrows and gilts increase rapidly from their spring low, then decline 21 percent from August to December.

Prices of lighter weight hogs almost always swing up and down earlier than do prices of heavier hogs. Prices of 200-220 pound barrows and gilts, for instance, often turn downward in August, but prices of 240-270 pounders frequently trend upward during that month and may not decrease until well into September, in an average year. Prices of heavy barrows and of sows are depressed in December and January.

Prices of cattle sold off grass are lowest when marketings increase at the end of the grazing season. More often than not, October is the month of lowest prices for stocker and feeder cattle, for cows, and for lower grade slaughter steers. Prices for these classes usually recover from their fall low, then rise to a high in the spring when the grazing season begins. With the greening of the grass, demand is strong for all kinds of stocker cattle.

Prices of fed cattle take an opposite

course. Cattle go to feedlots in the Corn Belt in greatest volume in September to November. They move out of feedlots from 3 to 12 months after entering. Their grade and finish when sold is directly proportionate to the length of feeding. Many of the cattle marketed in mid-winter, after a short feeding, are of Good grade. The Choice grade, which requires more feed, is most plentiful in the spring. Steers of Prime grade, fed longest of all, reach peak supply in the summer.

As biggest supplies appear successively for the progressively higher grades, price dips appear in the same order. Commercial grade cattle are usually lowest in price in the fall. For the Good grade, winter is the low price season, but Choice and Prime ordinarily decline to a spring low. Prices of Choice and Prime steers commonly rise in late summer to a fall high.

Sheep and Lambs

Marketings of sheep and lambs off range, like those of cattle, are at a peak in the fall. And feeding of lambs, like that of steers, helps to smooth out the monthly supplies for slaughter. Prices of lambs usually are lowest in the fall and highest in the spring.

All these are the most common patterns. They are seldom repeated exactly in any one year. Drought, a business decline that reduces demand for meat, or a major upturn or downturn in production can cause prices to behave differently from their normal seasonal course. Also, the seasonal patterns described here will change in years to come as more and more producers adjust their production to take advantage of high price months. But even though seasonal trends are not entirely regular, they are regular enough to be valuable guides in livestock management.

It will pay a producer to give careful attention to seasonal trends in prices. By doing so he can often aim his stock for sale in high price months and avoid low price months, thereby increasing his profits from livestock production.

Harold F. Breimyer
Agricultural Economics Division, AMS

"CHARTING the Seasonal Market for Meat Animals," Agriculture Handbook 83, by Harold F. Breimyer and Charlotte A. Kause, has just been published by the *Agricultural Marketing Service*. It is available on request. Address: *Marketing Information Division, AMS, USDA, Washington 25, D. C.*

Our Efficient Cotton Farms . . .

THE STORY of cotton in the United States at the present time can be summed up in two words—"large supply." At the start of the 1954-55 marketing season the supply was expected to be large, but as the prospects for the record high yield for the 1954 crop became apparent, the estimates of the supply increased.

The latest figures indicate that the supply for the 1954-55 marketing year of about 23.5 million bales will have been exceeded only by that of 1939-40, which was 24.6 million bales.

The key to the current supply situation lies in the efficiency of our cotton farms.

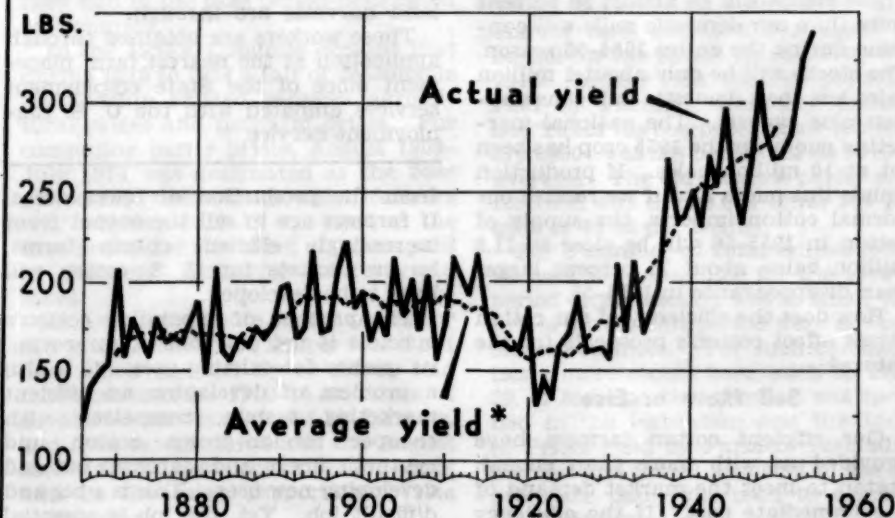
The acres harvested in 1954-55 were 21 percent less than those harvested in 1953-54. The 1954 crop, however, was only about 17 percent smaller than that of 1953. The cotton produced per acre exceeded even the previous record-high yield of the preceding year. Last year's average yield per acre was 341 pounds compared with 324 pounds in

1953. Although the yield per acre has been increasing steadily since the mid-1920's, the yield of the 1954 crop was about 40 pounds larger than a projection of that trend indicated (*see chart*). A projection of the trend would have indicated a crop of about 12 million 500-pound bales, but 13.7 million bales actually were harvested.

Record Yields in West

The only major cotton producing States which showed record high yields for the 1954 crop were Arizona, California and New Mexico. The average yield for these three States taken together was 862 pounds of cotton lint per harvested acre. The previous record was set in 1950 when the yield was 764 pounds. Yield in Arizona in 1954 averaged 1,039 pounds, or more than two bales of cotton per acre. Although the other areas of the Cotton Belt had yields higher last year than in 1953, none of them had record highs. How-

COTTON YIELDS PER ACRE



* 9-YEAR MOVING AVERAGE, CENTERED, PER HARVESTED ACRE

U. S. DEPARTMENT OF AGRICULTURE

NEG. 1030-55(14) AGRICULTURAL MARKETING SERVICE

ever, yields in all areas were at a high level. Yields also have been tending to move upward in areas other than the West, but not to the same extent.

The acreage harvested in three Western States *declined* from 9.6 percent of the U. S. total in 1953 to 7.8 percent in 1954. However, the sharp *increase in yields* in these States caused their proportion of U. S. production to increase from 19 percent of the whole in 1953 to 20 percent in 1954. If their 1954 yield had been the same as it was in 1953, the Western States would have produced 677,000 bales less than they actually produced.

The only other Cotton States which produced a larger proportion of the total U. S. crop in 1954 than in 1953 were the States of Oklahoma and Texas. This proportion increased from 29 percent in 1953 to 31 percent in 1954. The primary cause of this increase was a smaller decline in acreage than in other parts of the Cotton Belt. Acreage harvested in Texas and Oklahoma in 1954 was about 13 percent smaller than in 1953. But acreage declined 36 percent in the West, 22 percent in the Delta States, and 28 percent in the Southeast.

The large supply during the current season means large stocks at the start of the 1955-56 marketing season—probably more than 11 million bales. These stocks will be almost 30 percent more than our domestic mills will consume during the entire 1954-55 season. The stocks will be only about 1 million bales less than domestic mill consumption plus exports. The national marketing quota for the 1955 crop has been set at 10 million bales. If production equals this quota and if we receive our normal cotton imports, the supply of cotton in 1955-56 will be close to 21.5 million bales, about 75 percent larger than disappearance in 1954-55.

How does the efficiency of our cotton farms affect cotton's prospects for the future?

Sell More or Else

Our efficient cotton farmers have provided us with more than enough cotton to meet the market demand of the immediate past. If the efficiency of our cotton farms continues to improve, the market demand—as we have known it in recent years—can be met

Puerto Rican Workers For the Rush Seasons

EMPLOYMENT of farm workers from Puerto Rico on farms in the United States is increasing this year, according to figures published by the Migration Division of the Puerto Rican Department of Labor.

The peak of employment on the continent generally comes in the month of July. Some 15,000 Puerto Rican farm workers have been brought to the continental United States annually in recent years to help cultivate and harvest farm crops.

The work agreement requires the payment of the prevailing wage in the neighborhood, so that the Puerto Ricans may not be used to undercut local labor standards. It also provides for a guarantee of 160 hours work per month, workmen's compensation coverage and a nonoccupational group insurance program for off-the-job accidents and illness.

The people of Puerto Rico are now citizens of the United States and mainland employers have available around 100,000 experienced Puerto Rican workers, most of whom have been working during our winter season at sugarcane cutting. Most of the workers have jobs and families awaiting their return to Puerto Rico when mainland harvests are through.

These workers are obtained through application at the nearest farm placement office of the State employment services affiliated with the U. S. Employment Service.

from the production of fewer acres. If farmers are to sell the output from increasingly efficient cotton farms, larger markets for U. S. cotton will have to be developed.

The problem of expanding cotton's markets is not only one of improving its quality for existing uses. It is also a problem of developing an efficient marketing system, competing with cheaper foreign-grown cotton and synthetic fibers, and searching out and developing new uses. This is a big and difficult job. Yet, the job is essential to the welfare of our cotton farmers.

Frank Lowenstein
Agricultural Economics Div. AMS

Getting To Know More About Parity Prices . . . Part II

IF YOU paid \$5 for a plow in 1910 when corn was 50 cents a bushel, and \$20 for the same kind of plow in 1955, your corn would have to bring 4 times as much, or \$2 a bushel, for it to have the same purchasing power *in terms of plows* that it had 45 years ago.

Parity isn't quite as simple as that, because you have to buy a good many other things besides plows, but the principle is the same.

Price statisticians in the *Agricultural Marketing Service* simply strike an average not of plows alone, but of prices of a representative group of the goods and services farmers have to buy, and use this average as an "index," or indicator to figure out the price at which a farm commodity would have to sell to give it parity purchasing power. As was pointed out in the May issue of the *Agricultural Situation*, prices for commodities farmers sell are at parity when they have the same purchasing power with respect to goods and services farmers buy that they had in the base period designated by Congress.

In the 1930's, Congress decided that during 1910 to 1914 a fair or reasonable relationship existed between agricultural prices and nonfarm prices. For computing parity prices, August 1909-July 1914 was designated as the base period for commodities which farmers *sell*,¹ whereas 1910-14 was used as the base period for the index of prices *paid* by farmers, including interest and taxes.

At first, to compute parity prices for any given month, you simply found out how much change, up or down, had taken place since 1910-14 in prices of goods and services *bought* by farmers, and then raised or lowered the August 1909-July 1914 average prices for goods *sold* in the same proportion. (*The*

change or proportion was technically expressed in terms of index numbers, 1910-14=100.)

With the passing years, however, the farming picture has changed. Farmers now *sell* products which in the 1910-14 period were relatively unimportant, or for which little or no data were available in that period; and many of the items they *buy* now, such as tractors, combines, and other modern implements, were not covered in that original base period. To provide a fairer and more up-to-date pattern for computing parity, Congress has made some changes, and it is these changes that have brought into focus the terms "old parity," "transitional parity," and "modernized parity." These changes did not affect the basic concept of parity explained in the beginning.

"Old" and "Modernized" Parity

Prior to January 1950, which was the effective date of the amendments introduced by the Agricultural Acts of 1948 and 1949, parity prices were computed by what is now called the "old formula." Basically, this formula provided that the August 1909-July 1914 average price for the commodity would be multiplied by the Index of Prices Paid by Farmers, including Interest and Taxes, to obtain the parity price. To illustrate, prices received by farmers for corn averaged 64.2 cents per bushel for the period August 1909-July 1914. In May 1955, the Index of Prices Paid by Farmers, including Interest and Taxes (as computed prior to January 1950) was 284 percent of its 1910-14 average. The old formula parity price for corn was thus 0.642 times 284 percent or \$1.82 per bushel.

For a number of commodities either no data were available for the 1910-14 period or production was so small that prices during this period were not considered suitable. For such commodities a more recent base, such as 1919-29, or some portion thereof, was specified in the legislation and the Index of Prices Paid by Farmers (excluding interest and taxes) adjusted to the appropriate base, was used to compute the parity price.

Beginning in January 1950, the "new" or "modernized" formula came into use. This formula maintained the

¹ For a few commodities there was an exception: Provision was made to use a later base period for certain commodities for which satisfactory data were not available for the 1909-14 period.

overall relationship between parity prices and prices paid by farmers. It also established a method for reflecting recent price relationships among commodities; and it provided an improved procedure for computing parity prices for commodities that were virtually unknown or unimportant during the original base period.

This modernization was achieved by the use of average prices for the preceding 10-year period. Adjusted base prices are computed by dividing the most recent 10-year average price received by farmers for individual commodities by the average of the Index of Prices Received by Farmers for the same 10-year period. These adjusted base prices are multiplied by the Parity Index to compute the "new" formula parity prices.

To illustrate, prices received by farmers for corn averaged \$1.49 per bushel for the 10 years 1945-54. During this same period, the Prices Received Index averaged 261 percent of its 1910-14 average. Thus during 1955 the adjusted base price for corn is \$1.49 divided by 261 percent, or \$0.571 per bushel. Since the Parity Index in May 1955 was 282 percent of 1910-14, the new formula parity price for corn in May 1955 was 0.571 times 282 percent or \$1.61 per bushel.

Since the Index of Prices Received by Farmers measures the average change from 1910-14 to date in prices farmers receive for their products, this procedure converts the individual commodity prices to a 1910-14 "level," but at the same time maintains the relationship among commodities that existed during the most recent 10-year period.

Wage Rates Added

The legislation that established the new parity procedure also specified that wage rates, as well as interest and taxes, should be included in the Parity index. When the index was revised to include wage rates, the Department developed a more up-to-date and a more comprehensive Index of Prices Paid by Farmers. The new Parity Index (Prices Paid by Farmers, including Interest, Taxes, and Wage Rates) is based on approximately 350 price series instead of only about 175 series in the old index. In addition, the new index

includes an allowance for changes in prices paid for telephone and electric services, which were not included in the old index.

Transitional Parity

The new or "modernized" parity formula maintained the same general level of parity prices, but it raised the parity price for some commodities and lowered it for others. The Congress provided special procedures to avoid a sharp reduction in the level of parity prices for those commodities with a lower parity price under the new formula. One procedure was set up for *nonbasic* commodities and another for *basic* commodities.

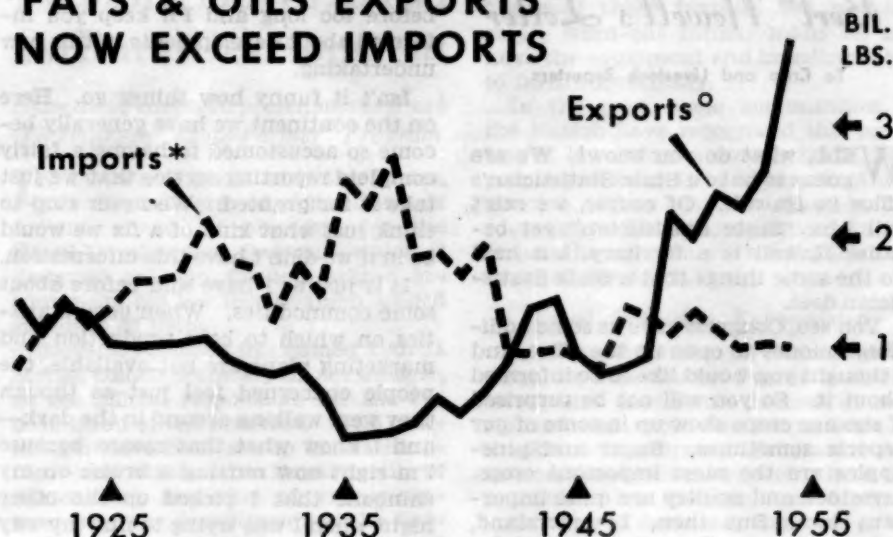
For *nonbasic* commodities a gradual adjustment to the lower level was made by means of a "transitional" parity. The transitional parity price for a nonbasic commodity was the "old" formula parity reduced by 5 percent during 1950, by 10 percent during 1951, 15 percent in 1952, and 25 percent in 1954.

During 1955, the "old" formula parity prices are being reduced by 30 percent; and an additional 5 percent will be taken off each year until all nonbasic commodities have made the transition to the "new" formula level. To illustrate, in May 1955 the old formula parity price for buckwheat was \$2.07 per bushel. Multiplying by 70 percent ($100-30$) gives \$1.45 per bushel, the transitional parity price. Whenever the "new" formula parity price exceeds the transitional, it becomes the *effective* parity price and the transitional is no longer computed for the commodity. In May 1955, ten commodities were still on the transitional basis.

For the *basic* commodities, corn, wheat, cotton, rice, peanuts, and most types of tobacco, the Acts of 1948 and 1949 and later legislation provided that the parity price would be either the new or the old formula parity, whichever was higher, until 1956. Beginning in January 1956, the old formula parity for basic commodities will be reduced by 5 percent each year until the transition is made to the new formula basis.

Robert H. Moats
Agricultural Estimates Division, AMS

FATS & OILS EXPORTS NOW EXCEED IMPORTS



* INCLUDES PRODUCTION FROM IMPORTED MATERIALS.
 ° INCLUDES OIL EQUIVALENT OF OILSEEDS EXPORTED FOR CRUSHING.

U. S. D. A.

AMS NEG. 1688-55 (6)

TRENDS FARMERS and processors have been selling more fats, oils and oilseeds abroad since World War II. Exports of these items now exceed imports, whereas it has been the reverse.

Output in this country has risen sharply as increases in soybean and linseed oils, inedible tallow and greases, and lard have more than offset the sharp drop in butter. Supplies from other countries have been limited. In recent years, we have produced from domestic materials about 25 percent of the world's fats and oils compared with only 15 percent in 1935-39.

An increasing share of our output has been available for export. Consumption per person has trended downward though total use in this country has gone up with the rise in population.

Our exports dropped to low levels in the 1930's with the contraction in world trade, the drive for self-sufficiency by most European countries and the reduction in U. S. output of animal fats due to drought. They rose with the wartime demands of the early 1940's and have increased sharply in the last 6 years. The 1954 total of 3.8 billion

pounds included about 1.2 billion pounds of cotton and linseed oils and the oil equivalent of flaxseed sold by the Government at prices below those in the domestic market, plus large quantities of soybeans and soybean oil, lard, and tallow and greases. U. S. aid programs financed about half of the quantities exported in 1949 and 1950 but the percentage has dropped sharply since.

As supplies of domestic oils and non-fat substitutes have increased, our imports have dropped. The largest reductions have been in flaxseed and linseed oil and palm oil. Formerly, linseed oil from domestic flaxseed supplied only about half our requirements. Substantial quantities of palm oil were used in food and soap. Today, U. S. products have displaced palm oil but imports of coconut oil (including copra) have remained around the pre-war level.

Prospects are that our imports will remain about the same for many years—while other countries will continue to require substantial quantities from us.

Sidney Gershben
 Agricultural Economics Division, AMS

"Bert" Newell's Letter

To Crop and Livestock Reporters

WELL, what do you know! We are going to have a State Statistician's office in Hawaii. Of course, we can't call him "State Statistician" yet because Hawaii is a territory, but he'll do the same things that a State Statistician does.

You see, Congress gave us some additional money to open up the office, and I thought you would like to be informed about it. So you will not be surprised if strange crops show up in some of our reports sometimes. Sugar and pineapples are the most important crops. Livestock and poultry are quite important too. But then, I understand, there are some others that are not familiar to me . . . like taro, papayas, mangoes, poha, and macadamia nuts.

Seriously though, this new job looks like it will be quite interesting. One thing that impresses me immediately is the enthusiasm for better information on acreage and production of crops, and livestock numbers. It is a case where the information that is available on Hawaiian agriculture has not been adequate to meet the need, and everyone has been handicapped in trying to do any kind of a planning job.

ANOTHER thing that will be quite different is the fact that production is scattered over a number of different islands, and, because of the distribution problems, it will be quite important to know what is available on each one. That is going to call for some very detailed breakdown of our estimates, and that naturally raises the question of sampling procedures. I have an idea that it is going to mean that we'll have to do a lot of detailed enumeration instead of depending upon mailed questionnaires.

It begins to look like I'll have to pick out a seagoing statistician, or one with his pilot's wings, because apparently he's going to have to do more travel by boat or air than by automob-

ile. Well, we'll be getting under way before too long and I'll keep you informed about developments in this new undertaking.

Isn't it funny how things go. Here on the continent we have generally become so accustomed to having a fairly complete reporting service that we just take it for granted. We never stop to think just what kind of a fix we would be in if we didn't have this information.

It is just as I have said before about some commodities. When good statistics on which to base production and marketing plans are not available, the people concerned feel just as though they were walking around in the dark—and I know what that means because I'm right now nursing a bruise on my shinbone that I picked up the other night when I was trying to find my way out of the garage.

Now, in the case of Hawaii, we have a whole area that has not had the statistics to which we are accustomed here. Naturally, Hawaiian farmers feel that this new development will be a long step forward in assisting them to plan their production, and to do a better job of marketing and distributing their commodities.

Sterling R. Newell, Chairman
Crop Reporting Board, AMS

Secretary Benson Reports Progress

IN A LETTER transmitting his annual (1954) report to the President, Secretary of Agriculture Ezra T. Benson says: "This report describes the efforts we are making in the Department to assist farmers and to help solve the problems of American agriculture as a whole. It outlines the administrative and program actions we have taken in order to do our job better. And finally, it shows the progress American farmers have made during the past year and the outlook for their future."

Planning Moves Ahead On Rural Development

*State and Federal Representatives Work
To Improve "Little-Farmer" Program*

IN COOPERATION with the States, the Department of Agriculture is moving ahead on planning for the Rural Development Program, which is designed to help farmers whose incomes are too low to give them a good standard of living.

Secretary Benson has named True D. Morse, Under Secretary of Agriculture, as the official responsible for the coordination of the program. Two committees have been set up in Washington, one within the Department of Agriculture, and one of representatives from the departments of the Federal Government that are concerned with the program. Bills are before Congress that will permit increased extension and credit aid for low-income farmers.

Early in June, Federal officials met in Memphis with representatives of 28 States to discuss operations under the program and the action that would be taken by these States. The conference suggested that committees representing all agencies and organizations servicing agriculture be set up to direct the program in each State.

The Rural Development Program had its origin in a request by President Eisenhower in early 1954 that special attention be given low-income farmers. The Department set to work on a report surveying the problem and in April of this year Secretary Benson sent it to the President along with a series of recommendations.

Many Poorly Equipped

Secretary Benson's report points out that in 1950 about 1.5 million farm families in the United States had cash incomes, from all sources, of less than \$1,000 a year.

Farm families with inadequate incomes are located in almost every American rural community, but they are concentrated in certain sections like the Southeast, the Appalachian Mountain and border areas, and the

cutover areas of the Lake States. Many of these families are working small, worn-out farms; many do not have the equipment and breeding stock to farm successfully.

In the past, some communities in the Nation have recognized this problem of low incomes among their rural people and have tried to do something about it. They have, for example, encouraged industrial investment to increase the opportunities for part-time work off the farm.

Local Initiative Recognized

In Secretary Benson's recommendations, the importance of community interest and participation is clearly recognized and made the cornerstone of the Rural Development Program. Action on the community level, where the problem of low incomes is most pressing, is one of Secretary Benson's principal recommendations. He also pointed to the need for more technical and credit aid, both governmental and private, and for special research. He noted the importance of off-the-farm work in some of these areas and recommended a campaign by Federal and State governments to bring new industry into them. He stressed the need for more and better training for the children of low-income farmers so that they will become better farmers or skilled workers. And he recommended improved health and social security coverage.

The plan is that in fiscal 1956 fifty counties in the Nation will be selected as the first areas in which action will be taken. Committees of local professional men, businessmen, and farmers will probably be formed to develop and direct the program and to work with local small farmers. In commenting on operations in these fifty counties, Secretary Benson said, "practical experience can be gained in a limited number of areas and those elements of the program which proved most successful can be utilized as the program is broadened."

The intention is that the Rural Development Program will be a coordinate effort by the Federal Government, the States, and the local communities *to raise the level of living of our rural people who have not fully shared in the prosperity of recent years.*

Farmers Want to Know—

HOW MANY FARMERS notice that the prices they get, or pay, are usually quite different from the statistical average?

We had a letter the other day from a Texas farmer, who has been a USDA crop reporter for a number of years. He referred to our "Farmers Want to Know" article, in the February issue of *The Agricultural Situation*. You may recall, in that article economist Forest Scott answered a Minnesota farm woman's question about the "high" price of bologna and sandwich meat "when canner and cutter cows are being sold at only 5 to 8 cents a pound."

This Texas crop reporter says he went out and checked the grocery store ads in several newspapers in his section and evidently was amazed to find that bologna was selling at a very wide range of prices—all the way from 18 to 39 cents a pound. He concluded that the price the consumer pays has little to do with what the farmer gets.

Letter Is Typical

There was more to the letter than that, but we thought it pointed up how very different actual prices out in the field can be from the ever-so-useful average that the economist comes up with. And since it is typical of many of the "Want-to-Know" letters that we receive, we are giving you below, in part, what the editor wrote in reply:

"In your letter, it seems to me, you have put your finger on an important point—one which most of us realize but too often take for granted and say little about.

"What it amounts to is that our economists usually find it necessary to figure in terms of averages. The individual farmer, on the other hand, sells for a specific price which may be substantially below the average—depending on how much or how little competition exists in the local market. This is true because the buyer, out to make a profit, doesn't bid any higher than he has to.

"The buyer has a top limit in the back of his head beyond which he feels he ought not to go, but if there aren't many bidders on that day and competition isn't very keen, all he can manage to buy below that limit is so much profit. Or he might tell you that it helps to 'average up' the higher payments he made the day before when he was a bit too 'bullish' and had bid a little beyond his limit.

"We had an economist a few years ago who bought a farm and, among other things, raised some beef cattle. He got them all fat and decided they were ready for market. For a week or more fat steers had been averaging, let us say, \$25 a hundred pounds on the Baltimore market. But the day he took his steers to market proved to be an off day. There were only one or two bidders and he was offered only \$20.

Had to Face Reality

"Our economist-farmer was disappointed. But what could he do? He had paid a big price to the trucker to haul his steers to market. To take them home and truck them back again, a distance of 40 or 50 miles, would cost more money. So he decided he might as well sell at the price he was offered. He learned from experience how the average price can be quite different from what the farmer actually gets.

"You make another good point with reference to the merchant who sells the product. He also has a 'limit' in the back of his head. In his case, it's the other way round: He feels he should get at least a certain price, but all he can get above his limit is to his advantage. And the *specific* price he gets from the consumer may be considerably more than the average.

"Much depends, as you say, 'on the capacity of the man or concern who sells the product.' But this doesn't mean that the merchant can go 'hog wild' and continue for long to sell at prices that are a great deal higher than average. Competition comes into play and tends to keep him more or less in line. When the seller's price begins to be too much out of line, the buyer is apt to look for another merchant. The merchant knows this and is influenced thereby. He studies the

The Sugar Program At Work for Growers And Consumers

THE PRIME objective of sugar legislation is, as stated in the Act, "to protect the welfare of consumers of sugar and of those engaged in the domestic sugar producing industry."

To do this, the predetermined annual U. S. consumption requirements are apportioned to the domestic and foreign sugar producing areas. The domestic areas (including our island possessions, Hawaii, Puerto Rico, and the Virgin Islands) receive fixed quotas and they supply about 55 percent of our requirements. The foreign suppliers get the remainder, the largest share going to

trends—which help him to set his 'limit.' So does the buyer or middleman. And so does the farmer.

"It is at this point, of course, that you and I (and the buyer, and the seller, and the consumer, and the farmer) begin to appreciate the work of the crop and livestock reporter and the price reporter, which makes possible the reports of prices and trends and margins and other statistical information that comes from your USDA. Only average figures maybe, but indispensable.

"Now as to Mr. Scott's answer to the farmer's wife, he, of course, didn't attempt in his short letter to tell how much the slaughtering costs, how much for shipping charges, nor for wholesaling and retailing. But he did make it very clear, it seems to me, why the meat in a pound of bologna costs the packer or processor 19 cents even when it comes from 7-cent canner and cutter cows. Of course, anything above 19 cents that the consumer pays—in this hypothetical case—goes for freight, and slaughter, and to the wholesaler and retailer. . . .

"I agree with you, there's much to be done in the marketing field in the interest of both farmers and consumers. That is one of the things we are stressing this year in the Department."

(signed) The Editor

Cuba and the Republic of the Philippines. The Cuban exports to us pay for a large part of Cuba's nearly half billion dollar imports of American goods.

The fixed quotas for sugar production among domestic producers (in short tons, raw value) are: Domestic beet sugar 1,800,000 tons, mainland cane sugar, 500,000 tons, Hawaii, 1,052,000 tons, Puerto Rico, 1,080,000 tons, and Virgin Islands, 12,000 tons. Mainland producers of sugarcane are located in Louisiana and Florida, growers of sugar beets in Washington, Oregon, Idaho, California, New Mexico, Texas, Utah, Montana, Colorado, Nebraska, Ohio, Illinois, Minnesota, Iowa, Wisconsin, North and South Dakota, Kansas, Wyoming, Indiana, and Michigan.

The present Act—the Sugar Act of 1948—remains in force through 1956, but may, of course, be changed by Congress.

Within each of the domestic sugar producing areas, when it is necessary to restrict production, the quota is divided among individual producers. A proportionate share (acreage allotments) of this quota determined in the form of acreage to be produced in cane or beets, or of sugar to be produced, is assigned to each grower. Under certain conditions, the Act also authorizes the allotment of an area quota to marketers of sugar in order to promote orderly marketing and afford all interested persons an equitable opportunity to market sugar within the quota for the area.

Program Pays Its Way

Eligible domestic producers of cane and beets receive payments, ranging from a high of 80 cents per 100 pounds of sugar for the first 350 tons of sugar produced per farm down to 30 cents per 100 pounds for production in excess of 30,000 tons per farm. To be eligible for payments, producers must comply with certain labor, wage, price, and production conditions. Money for these payments is appropriated annually by Congress. Payments average about 67 cents per hundred pounds of sugar, and total about \$65 million per year. An excise tax of 50 cents per hundred pounds for manufacture or importation of sugar grosses more than the conditional payments to pro-

ducers. Also a tariff of 0.5 cent and 0.625 cent per pound, raw value, is levied on sugar imported from Cuba and full-duty countries respectively.

Season's average prices received by *sugar beet* growers have ranged between 89 and 100 percent of parity during the years since the Sugar Act of 1948 became effective. Prices received by mainland *cane* producers ranged from 74 to 103 percent of parity during the same period. During the last 2 years, prices to growers have ranged between 90 and 95 percent of parity.

Looking over the history of the U. S. sugar program, several interesting features stand out. When quotas and production controls were first imposed, in 1934, domestic producers had to cut back drastically. In the first 2 years, production in the domestic mainland and offshore areas, including the Philippine Islands, were reduced quite substantially.

Quotas Established

The 1937 Sugar Act allotted quotas to domestic and foreign areas on the basis of a specified percentage of our consumer requirements. The 1948 Act, on the other hand, established fixed quotas for domestic areas and variable ones for foreign suppliers. At the time domestic quotas were fixed, levels were set at about equal the historic marketing in the United States. In 1953, Puerto Rico and the Virgin Islands received about 19 percent and 100 percent increases in annual quotas, respectively. For the past 2 years, production of sugar in the mainland cane and beet areas has been pushing against the bounds set by the rigid quotas for those areas. Acreage allotments for individual producers have been in force in the beet- and cane-growing areas of the U. S. as well as for Puerto Rico this year.

At the present time, the U. S. market for sugar is a very desirable one to suppliers of the world market. World market prices of sugar are considerably below U. S. prices. This has not always been true, however; wars and other world conditions can and have pushed prices considerably above the U. S. market price, and at times even above prices charged by the retail

Farm Safety Week July 24 to 30

"YOUR SAFETY Is In Your Hands."

That's the theme for this year's Farm Safety Week, which the entire Nation—especially farmers and farm organizations—will observe July 24-30.

"With such a theme, we hope farm people everywhere will make a safety inventory of their homes, farms, machinery and equipment, work habits and attitudes," said Ned H. Dearborn, National Safety Council's president.

grocer for refined sugar. At these times our major foreign suppliers have continued to fill their quota to the U. S. market, even at some price disadvantage to themselves.

All of these and other matters form a part of the U. S. Sugar Program. The intent and purpose of the Sugar Act is to act with fairness and equitable treatment to all segments of the industry, as well as to give full consideration to the needs and requirements of those who consume the sugar.

This quotation from a recent Department publication sums up the situation: "Since the passage of the first Sugar Act in 1934, the sugar policy of the United States has been to maintain a healthy domestic industry of limited size; to promote our general export trade; and to assure adequate sugar supplies to consumers at reasonable and stable prices. This policy did not take shape over night but emerged after 145 years of congressional decisions and actions affecting the course of the sugar industry."¹

The sugar program is carried out by USDA's Sugar Branch, Commodity Stabilization Service. Certain research is conducted by other agencies of the Department. These studies include efforts to find wider and more efficient uses for sugarcane and sugar beet byproducts. Articles on the progress of "byproducts" studies will appear in future issues of *The Agricultural Situation*.

¹ The United States Sugar Program. Agriculture Information Bulletin No. 111, U. S. Department of Agriculture, Washington, D. C. July 1953.

Outlook Highlights

... JULY 1955

RISING production and income continue to mark the economic situation. The Nation's factories and mines have boosted output slightly above the peak reached in 1953. Employment has picked up more than seasonally and increased numbers of workers have been putting in a longer week.

Consumer income is continuing its climb to new peaks. Buying at retail stores has picked up even more than income.

Retail prices—including those paid by farmers—and wholesale prices have been averaging near the levels of a year ago. Prices received by farmers, on the average, have been fairly steady this year at a level about 5 percent lower than in the first 5 months of last year.

Livestock

Rains improved pasture prospects over much of the country . . . make it unlikely that we'll get the spurt in grass cattle marketings that occurred last summer as a result of drought. But marketings will increase seasonally and cattle prices probably will weaken. Hog prices, rising slowly the last several weeks, probably will remain at the seasonally high level until late summer.

Poultry and Eggs

Egg production is likely to stay above a year earlier until about midsummer. Later, output will begin to decline from a year ago because of reduced number of chicks bought for laying flock replacement last spring. Recent chick placements point to record supplies of broilers in August. Prices through early June were well above a year ago.

In the first 5 months of this year, 6 percent fewer heavy-breed turkeys and 31 percent fewer light breeds were hatched.

Dairy Products

Consumption of milk has been running above a year earlier; production, about the same as last year and prices to farmers a little higher. There are several reasons for the boost in milk

consumption . . . special Government programs . . . merchandising efforts of dairy industry . . . lower retail prices . . . higher consumer income. These factors probably will continue to hold consumption above 1954 the rest of 1955.

Prices to farmers for milk in April and May were above a year earlier for the first time since late 1952. A larger proportion of the milk was used for bottling which helped raise the price average. Price support purchase prices for cheese and nonfat dry milk were up a little. Not much change in prices of milk and butterfat is likely the rest of 1955.

Slight gain in milk prices, with a drop in feed prices, has improved milk-feed price ratio for dairymen. In May, a pound of milk was equal in value to 1.12 pounds of feed concentrates compared with 1.03 pounds a year earlier and the average of 1.14. Butterfat-feed ratio also has increased.

Value of milk also has increased relative to value of alternative products. A pound of condensery milk was worth 0.18 pound of beef in May, equaling the average for the first time since 1948. Condensery milk-hog price ratio has increased sharply the last year and also is up to average.

Soybeans

Exports of soybeans in October-May totaled about 46 million bushels, 9½ million more than a year earlier. Oil prices strengthened the last month but meal prices are down to the lowest level since 1946. Marketings of beans by farmers have increased in recent weeks and prices have declined.

Feed

A large part of the big stocks of corn are held under price support and prices this summer probably will continue firm. Declines, however, are expected for oats and barley as these crops are harvested this summer.

Potatoes

The late spring crop of potatoes is up 14 percent from last year and the early commercial summer crop is up a fifth. Prices at important shipping points have been slipping since late May, as marketings expanded.

(Continued on page 16)

Farmer's Prices

INDEX 1947-49=100	1954		1955			
	June	Year (average)	March	April	May	June
Prices received by farmers.....	247	249	243	247	244	243
Prices paid by farmers ¹	282	281	284	284	282	282
Parity ratio.....	83	89	86	87	87	86

FARMER'S SHARE of consumer's food dollar—42 percent in April 1955; 45 percent in April 1954

¹ Includes commodities, interest, taxes, and wage rates, and

lex."

Outlook Highlights

(Continued from page 15)

Cotton

The carryover next August 1 is expected to total about 11 million bales, compared with 9.7 million a year earlier and the postwar peak of 11.2 million in 1945. The gain over 1954 reflects the 1.4 million bale increase in supply.

Tobacco

Tobacco leaf exports for the year ending June 30 are expected to total a little above the 512 million pounds shipped abroad in the 1953-54 marketing year. A further increase is expected in 1955-56. Much of the tobacco purchased by several countries in connection with the programs under our Agricultural Trade Development and Assistance Act (Public Law 480) probably will be shipped in 1955-56. Through mid-June, announcements had been made of negotiations with 9 countries which will buy, with their own currencies, nearly 60 million pounds of leaf tobacco.

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